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The Nation's Prosperity

Mike Mansfield 1903-2001

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STATEMENT OF SENATOR MIKE MANSFIELD (D. MONTANA)

WED SEP 12 1956 AM

The Nation's Prosperity

Peace, Progress, Prosperity--the platform of the Republican Administration is based upon an insecure peace in a troubled world; the Administration is at dead center, failing to come to grips with existing problems or to inaugurate any new ideas; the "rock and roll" prosperity of the American people that we hear so much about, is seen through Republican rose-colored glasses. I want to take a moment or two to explore beyond the obvious and to see what basis there is to this claim to prosperity.

Admittedly the average income of the American people has never been higher and employment is greater than ever before, with isolated exceptions. I am happy to see our citizens enjoying higher incomes and greater prosperity, but that is only half of the picture.

It now costs more than ever to live; food, rent and other necessities of life are up and the buying power of the dollar is down.

On August 24, 1956, the Bureau of Labor Statistics announced that the United States Consumer Price Index soared 0.7 per cent between mid-June and mid-July to a record for the second straight month. This latest increase was the fifth consecutive monthly rise, and the third of unusual magnitude. At the same time, the consumer's dollar has sunk to its lowest point -- it was worth 76 cents after World War II and is now at a record low of 50 cents.

This inflationary trend, with rising prices and a decline in the value of the dollar -- a decline of about 1 cent in the last two months -- was countered recently by an increase in the lending rate of four Federal Reserve Banks, from 2 3/4 to 3 per cent.

The 3 per cent rate is the highest since 1933. The current increases are

the sixth in 6 months. Before April, 1955, a $1\frac{1}{2}$ per cent rate prevailed. The discount rate is the rate of interest banks pay when borrowing from Federal Reserve Banks.

The rate increase and the "hard money" policy is putting an unpleasant squeeze on small-business borrowers, prospective home-owners and the people in the middle-income group.

The Bureau of Labor Statistics reported its consumer price index in July stood at 117 per cent of the 1947-49 average. This represented an increase of 2 per cent in a year. Beginning with March of this year, the index each month registered an increase over the previous month. The June index also was 0.7 of 1 per cent over May.

In simple terms the goods and services you could buy for one dollar in 1947-49 now take close to \$1.17 of your budget and it isn't likely that this record will stand; it is likely to go higher, according to most predictions.

The purchasing value of the dollar in May, 1953, was valued at 55.5 cents. In a little over three years it has dropped 5.5 cents.

It is important to point out that the all-time high incomes do not extend to all American people. The Federal Reserve Board recently pointed out that approximately one out of every four families received less than \$2,000 in income in 1955. The Department of Commerce states further that three million American families and unattached individuals earned less than \$1,000 during the past year. We should not rest until these low income families can be brought into the higher income brackets, we must erase the "Fifth Freedom" adopted by the Republican Administration, "the Right to Suffer."

The squeeze caused by higher prices hits people who get increases in pay

only once a year or so, not those who salaries are adjusted to the consumer's index. Most salaried people are in this predicament. Between increases, their ability to spend or save is reduced by the rise in prices. Retired people, on fixed incomes, will never catch up.

Savings in various forms lose value as the dollar depreciates. The end result in any period of inflation is a tendency to discourage saving and encourage speculation.

These are the fact and figures from Administration sources -- they do not substantiate the soundness of our prosperous economy of which we hear so much.

In 1952 candidate Eisenhower and the Republican Party campaigned throughout the nation promising a sounder dollar and a reduction in the cost of living. What has happened to these promises, have they been filed away with the unfulfilled Republican campaign pledges? The fiscal record and the Republican platform's promises are not consistent.

They promised a sounder dollar, the value of the American dollar has been reduced 5.5 cents since the Republican Administration came into power in 1953. They promised to reduce the cost of living, but the cost of living has risen 0.7 per cent in the last reported month, for a second month in a row and is at an all-time high.

The increase in outstanding consumer credit since 1952 is appalling. The outstanding credit on December 31, 1952 was \$25,827 million. After three years of Republican Administration the total had soared to \$36,225 million by December 31, 1955. By July 31 of this year consumer credit expanded to a fantastic \$37,143 million.

These figures do not cover large mortgages or huge long term loans, the

\$37,143 million has grown from short-intermediate credit, installment buying, regular charge accounts, single payment loans, and service accounts such as medical and utility bills.

Lending and borrowing are desirable and essential elements in any society. They expand purchasing power and thereby promote mass markets for consumer goods and promote the growth of production and employment. The question that my Democratic Colleagues and I are concerned with, is how far can we go? History shows that we can go too far.

The consumer debt looks almost formidable standing alone, but at the same time I realize that everything else has grown too, including our total population. However, can our incomes, credit buying, and the cost of living continue to skyrocket while the value of the American dollar continues to decrease? It is imperative that the inequities in our prosperity be resolved before it is too late.

A decade after every other major war in the history of the United States wholesale prices were down 30 to 55 per cent from the war time peaks.

However, a decade after World War II prices are up a full 70 per cent from the war time levels and all indications are that they are beginning a new advance.

One of the most important exceptions in the prosperity of the Nation is the small farmer, the backbone of the Nation's economy.

Prices for the farmer's produce have dropped for two months running and are still far below those of any recent year except 1955. Meanwhile, the prices farmers must pay for their goods stand at an all-time high.

Continuously and repeatedly since the Republican Administration has been in power, the farmers' only income protection in existing laws has been pro-

gressively reduced—down the sliding scale. When cattle prices dropped by nearly a third, the Federal Government stood idly by, putting its total reliance on a thoroughly ineffectual canned meat and gravy purchase program which did more for the can manufacturers than for meat producers and gave the gravy to the big packing companies. Last year hog prices dropped almost half. Again the Administrations' response was an ineffectual canned meat buying program. Incidentally, the failure to provide adequate supports for hog and cattle prices did not result from any lack of authority or funds available to the Eisenhower Administration.

The farmers, small businessmen and other family earners in rural America are suffering from a steady rise in interest rates, rents, transportation and utility rates and the prices of manufactured industrial products.

For instance, taxes levied in 1955 by state and local governments on farm real estate increased 6.8 per cent over those for 1954, the Department of Agriculture reported the end of August.

On the other hand, corporate profits, after taxes, in 1955 were over one-third higher than they were in 1952. For the first time in American history and for the first time in the history of any nation in the world, dividends paid to some hundreds of corporate stockholders were greater than the total family income of more than 5 million farm operating families in the Nation.

The facts and figures on the farm economy are not at all pleasant and present sharp deviation from the status of our general national economy.

A fitting summation of the farmer's plight is a situation taken from one of the farming communities in Montana.

A farmers stated to me that he was the owner of a 700 acre farm, he didn't owe the bank and was free of debts. But his net income was only about \$1000 for 1956. He must use the income to pay taxes and support his family. He stated further

that if there wasn't an improvement in the economic conditions in his locality soon, he would be forced to borrow money to operate.

After that it would simply be a matter of time until he would be broke. Five years ago this farmer felt that he was well fixed financially.

Actually this farmer is better off than many thousands of the Nation's farmers, but the Administration's policies are gradually pushing him into the pit of poverty and indebtedness.

Farm income during the 1952-1955 period was down 29 per cent. Farm indebtedness increased from \$5½ billion to \$9 billion in this period. Since 1952 the farmer's interest rates have gone up 27 per cent and he pays 16 per cent more in taxes.

An important consideration we cannot overlook is that the farmer's share of the food dollar was only 38 cents in 1955 as compared to 47 cents in 1952. If this is prosperity, tell it to the farmers. If an increase in the cost of living, the national debt, and a decreased value in the dollar is prosperity, tell it to the housewife, the wage earner, and the retired citizen.